

FISCAL NOTE

Bill #: SB0006

Title: Require application of cash reappropriated to BASE aid

Primary Sponsor: Ryan, D

Status: As Introduced

| | | | |
|-------------------|------|---------------------------------|------|
| Sponsor signature | Date | Chuck Swysgood, Budget Director | Date |
|-------------------|------|---------------------------------|------|

Fiscal Summary

| | <u>FY 2004 Difference</u> | <u>FY 2005 Difference</u> |
|--|--------------------------------------|--------------------------------------|
| Expenditures: | | |
| General Fund | (\$175,500) | (\$117,000) |
| Net Impact on General Fund Balance: | \$175,500 | \$117,000 |

- | | |
|---|--|
| <input checked="" type="checkbox"/> Significant Local Gov. Impact | <input type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts |
| <input type="checkbox"/> Dedicated Revenue Form Attached | <input checked="" type="checkbox"/> Needs to be included in HB 2 |

Fiscal Analysis

ASSUMPTIONS:

1. The number of school districts that under spend their BASE budget declined from FY 1999 through FY 2002 and will continue to decline. More districts will fully expend their BASE budget as a result of this legislation.
2. Under SB 6, OPI will withhold direct state aid in FY 2004 from districts that do not fully expend their BASE budget in FY 2003. To make up for the revenue loss, districts will increase their BASE budget levies and, as a result, the state's obligation for guaranteed tax base (GTB) aid will increase. The backfill of state GTB aid is higher than average for this group of districts because many are located on or near an Indian reservation or national park and have a low taxable valuation.
3. In FY 2002, 56 school districts under spent their BASE budgets by \$467,000.
4. In FY 2003, 50 districts will under spend their BASE budgets by \$450,000. OPI will withhold that amount from those districts' direct state aid in FY 2004. In FY 2004, 40 districts will under spend their BASE budgets by \$300,000 and OPI will withhold that amount from those districts' direct state aid in FY 2005.
5. Districts are assumed to not change current practices of re-appropriating or putting in reserve, the unspent BASE budget amount. If a district currently puts remaining revenue in reserves, it will continue this practice. Likewise, if a district currently re-appropriates remaining revenue in reserves, it will continue to re-appropriate.
6. When the direct state aid is withheld from districts BASE budgets (4. above), districts will replace the revenue through the BASE mill levy and state guaranteed tax base aid (GTB).

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(continued)

7. In FY 2004 district property taxes will increase by \$175,500 and state GTB will increase by \$274,500. The net savings to the state will be \$175,500 (\$450,000 from 4. above - \$274,500).
8. In FY 2005, district property taxes will increase by \$117,000 and state GTB will increase by \$183,000. The net savings to the state will be \$117,000 (\$300,000 from 4. above - \$183,000).

FISCAL IMPACT:

| | <u>FY 2004 Difference</u> | <u>FY 2005 Difference</u> |
|--|-------------------------------|-------------------------------|
| <u>Expenditures:</u> | | |
| Local Assistance | (\$175,500) | (\$117,000) |
| <u>Funding of Expenditures:</u> | | |
| General Fund (01) | (\$175,500) | (\$117,000) |
| <u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u> | | |
| General Fund (01) | \$175,500 | \$117,000 |

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

Assuming that districts that currently put unspent BASE budget revenue in reserves will continue this practice, then local mill levies will increase to fill the reduction in direct state aid. These taxes will increase by an amount equal to the state general fund savings or \$175,500 in FY 2004 and \$117,000 in FY 2005.